
Minutes

Board of Natural Resources

October 7, 2003
Natural Resources Building, Olympia, Washington

BOARD MEMBERS PRESENT

Doug Sutherland, Commissioner of Public Lands
Bob Nichols for Governor Gary Locke
Bruce Bare, Dean, University of Washington, College of Forest Resources
Glen Huntingford, Commissioner, Jefferson County
R. James Cook, Interim Dean, Washington State University, College of Agriculture and Home Economics

BOARD MEMBERS ABSENT

Terry Bergeson, Superintendent of Public Instruction

CALL TO ORDER

Chair Sutherland called the meeting to order at 9:05 a.m. on Tuesday, October 7, 2003, in Room 172 of the Natural Resources Building. He also noted that Terry Bergeson would not be attending today's meeting and that James Cook would be late.

APPROVAL OF MINUTES

- MOTION: Chair Sutherland moved to approve the August 2003 retreat meeting minutes.
- SECOND: Glen Huntingford seconded.
- ACTION: Motion passed unanimously.
- MOTION: Glen Huntingford moved to approve the September 2, 2003, meeting minutes.
- SECOND: Bob Nichols seconded.
- ACTION: Motion passed unanimously.
- MOTION: Chair Sutherland nominated Glen Huntingford as Board of Natural Resources Vice-Chair.
- SECOND: Bob Nichols seconded.
- ACTION: Decision was unanimous.

PUBLIC COMMENTS FOR AGENDA ACTION ITEMS

Robert Schaefer - Represented Longview Booming

Mr. Schaefer stated that on behalf of Longview Booming, he supports the Cowlitz River Land Exchange, and noted that the department had done a good job in resolving the issue. The problem has existed since the 1920's and they are glad to see it finalized.

LAND TRANSACTIONS

Evert Challstedt began with a brief summary of the current biennium and the past biennium (Handout 1) indicating that the legislative package (Chapter 26, Section 421 of Capital Budget Bill) the department is operating under this biennium shows:

\$55 million appropriation to complete the transfer of 17 properties and an \$11 million appropriation that gives the department the authority to purchase the replacement land once the transfers are complete; the timber-to-land ratio is 80/20 (same as past ratio); administrative costs will come off the top of appropriation (last year they were taken from land component of value which reduced the ability to transfer all of the properties); can complete timber restrictive leases and easements; same deed restriction for proposed public use will be placed on the property for 30-plus years; Bone River property has been directed by the Legislature to be transferred as an NRCA not an NAP; Stavis Creek was added to the TLT list which was not included in the original package that the Board approved over a year ago.

Mr. Challstedt showed the list of the 17 properties and provided an historical perspective and distribution of funds of the properties.

Chair Sutherland noted that Slide 5 (1989-2005 appropriated funds) did not show appropriation for 1995-1997. He asked what the circumstances for that were?

Mr. Challstedt did not have the details as to why the Legislature chose not to fund the program during that period. He continued the value of lands transferred between 1989-2003:

Land Transferred - Value \$65,402,000; Acres 75,139; Value/acre \$870

Land Replaced - Value \$58,413,636; Acres 34,632; Value/acre \$1,687

Bone River Trust Land Transfer #02-074916 Resolution #1097 (Handout 1)

Evert Challstedt indicated that the Bone River TLT is the first transfer of the new biennium. He stated its location west of Raymond and South Bend bordering on the Bone River Natural Area Preserve and forms the headwater of the Bone River drainage. Characteristics: 155 acres; 30 acres with 37 years old hemlock; 110 acres <10 year reproduction; 15 acres RMZ Habitat. Values: timber \$88,200; land & reproduction \$125,800; total value per acre \$1,380. Benefits: funds for school construction; funds for land replacement; NRCA program gains ownership of headwaters of Bone River.

MOTION: Bob Nichols moved to approve Resolution #1097.

SECOND: Jim Cook seconded.

DISCUSSION: Glen Huntingford asked what the significance of the parcel was and how it got in the program?

Mr. Challstedt said that the property was acquired in exchange with the Champion Timber Company. It was acquired specifically to be included with the NAP and to protect the Bone River drainage.

Bruce Bare asked why it isn't to be part of the NAP?

Mr. Challstedt said the Legislature has directed the department to transfer it as an NRCA to maintain public access.

Chair Sutherland added that recent legislation has provided the department with some degree of flexibility that has not been put into place, but is being worked on.

ACTION: Motion passed unanimously.

Cloverland Purchase #08-074861 Resolution#1098 (Handout 2)

Julie Armbruster began with the location in Asotin County indicating the sellers are Carroll and Nancy Johnson. Property description: 817.3 acres (741.4 crop acres and 75.9 non-use acres); soil production capacity is 55 to 60 bushels per acre for winter wheat; average yields per acre *54 bushels of winter wheat, *61 bushels of spring barley; annual precipitation is 13 to 15 inches; rejoins sub-surface ownership with surface in Section 36; provides legal access to NW ¼ of Section 36. Income: property to be acquired with 28% crop share lease from seller with 10-year term; estimated CRP income \$1,410 per year; estimated revenue to state \$22,000 per year; expected rate of return is 7.6%; purchase price is \$288,250. Benefits: adds productive agricultural property to the Common School trust portfolio; comes with lease in place allowing for immediate income (2004 crop); property is of sufficient size and quality that it will attract future bidders when current lease expires; enhances existing trust asset by consolidating ownership, providing access and joining surface & subsurface rights.

MOTION: Glen Huntingford moved to approve Resolution #1098.

SECOND: Bob Nichols seconded.

DISCUSSION: Jim Cook noted the low price (\$370 per acre) pointing out that land north of the property is selling for three times that much. He asked if that is the selling price of other lands in the area?

Ms. Armbruster said yes it does represent market.

ACTION: Motion passed unanimously.

Benton Orchard Purchase #08-074458 Resolution # 1099 (Handout 3)

Julie Armbruster began with the location in Benton County and some history on the property. Property summary: located in Goose Gap Complex; 500.2 acres (278 acres irrigable, 6 acres improved with home and outbuildings, 216.2 acres not used due to steep slopes); zoned agriculture district under GMA; allows 1 home in 20 acres, or two homes in 20 with no more than 10% of the site developed; allows commercial activity that supports agriculture - property has potential use beyond crop production; property includes new well; will be leased for orchard; income will be cash rent plus percentage of net proceeds; purchase price is \$1,430,000; improvements valued at \$185,000, non-irrigated land valued at \$108,000 (\$500 per acre), irrigated/developed land valued at \$1,137,000 (\$4,000 per acre). Benefits: Common School acquires productive/irrigated agriculture property; return on investment expected to be 7% (approximately \$100,000 per year) once orchard reaches full production; adds to and consolidates trust ownership in

existing agriculture block; protects existing assets by preventing adjacent uses that may be incompatible with DNR management objectives; property has commercial leasing potential.

Ms. Armbruster noted that the department is interested in developing the land for potential vineyard use and the property is zoned agriculture.

Paul Penhallegon introduced himself and pointed out that the parcel will be an excellent asset to the program because of the agriculture\commercial uses. There are great plans for the area and is considered to be a future Napa Valley.

Ms. Armbruster noted that there have been improvements made to the land that could be used as a winery or a visitor's center.

MOTION: Glen Huntingford moved to approve Resolution #1099.

SECOND: Bruce Bare seconded.

DISCUSSION: Chair Sutherland provided some history on the property stating that years ago it was acquired by a group of athletes who were responsible for its management. The existing orchard slowly deteriorated and the properties went through acquisition by the financial institution that carried the mortgage. The department has been communicating with those parties for almost three years. Chair Sutherland indicated his support for the acquisition and its benefit the Common School trust.

Jim Cook stated that it is a spectacular piece of property (he has been on site many times). He did ask what was being grown on the non-irrigated land?

Mr. Penhallegon said it is steep slopes with native vegetation.

Jim Cook asked if there is any agricultural potential?

Mr. Penhallegon said no, it is too rocky and steep.

ACTION: Motion passed unanimously.

Page Road Purchase #08-075001 Resolution #1100 (Handout 4)

Julie Armbruster began with the location in Franklin County indicating the property is 806 acres and a fully operational orchard. The seller is Prudential Insurance and Stemilt Management Inc. is currently managing the property for Prudential. Property summary: trees were planted between 1995 and 1997 (first commercial crop in 1999); estimated income is \$609,000 per year (expected return is 9%, with 3% guaranteed by cash rent); purchase price is \$6,553,972. Benefits: Common School trust acquires highly productive agriculture property; acquiring water rights that date back to 1973; property is currently leased resulting in immediate income with the 2004 crop.

MOTION: Jim Cook moved to approve Resolution #1100.

SECOND: Bob Nichols seconded.

ACTION: Motion passed unanimously.

Finn Hill South Direct Transfer #02-074901 Resolution #1101 (Handout 5)

Rich Scrivner began with an overview of the transaction commending the extraordinary efforts of all parties involved. He indicated that the property has endured a three-year journey of transition and now has mutual acceptability and fiduciary satisfaction. He indicated this as a direct transfer to King County as provided by RCW 79.01.009 and RCW 43.30.265. The mineral rights and other reservations are retained according to statute. The property is 40 acres of Indemnity School Trust property.

Site characteristics: excellent access by public maintained roads; public utilities available to entire site; 145 potential lots with territorial views; east and west portions - level to gently slopes, very accessible and developable; middle portion contains existing ravine with natural drainage pattern.

Recent History: 1984 identified as Urban Trust Land by the Board of Natural Resources - Resolution #466; 1994 rezoned to R-4 through King County's Community Planning Process; 1999 Public Auction sale option explored; 2000 Denny Creek Neighborhood Alliance (DCNA) voiced concern over proposed sale and potential land conversion; 2001 King County, local/state elected officials, DCNA, and other special interest meet with DNR to discuss disposition strategies - net result - positive example of diverse groups having different interests, collaborating on a transaction that met both community goals and DNR fiduciary responsibilities.

Proposal: direct transfer to King County; all cash or 5-year contract as provided by RCW 79.01.216 (\$700,000.00 initial down payment; 6% interest applied annually to unpaid balance per WAC 332-100-50); appraised Market Value \$7,000,000.00 (land \$6,900,000.00 timber \$100,000.00 327 mbf).

Bob Nichols asked if the Board should be familiar with the 1984 Board Resolution #466 that Mr. Scrivner mentioned?

Chair Sutherland said that the department reviewed urban properties as opposed to rural resources and it was determined that properties should be identified as urban and transitional in nature. Resolution #466 was the Resolution that brought forward that determination.

Glen Huntingford asked if a land swap with King County was considered?

Mr. Scrivner said King County was encouraged by DNR to look at potential candidates within their portfolio.

Jim Cook brought up highest and best use asking how many single residents would it have amounted to per acre?

Mr. Scrivner said 145 for the 40-acre block.

MOTION: Motion to approve Resolution #1101.

SECOND: Was seconded.

ACTION: Motion passed unanimously.

Cowlitz River Land Exchange #86-074651 Resolution #1102 (Handout 6)

Loren Stern - Division Manager of Aquatic Resources presented. He began by introducing Angie Wirkkala - Assistant Division Manager of Aquatic Resources Division, who would be providing future

aquatic presentations to the Board. He also thanked Robert Schaefer (representative for Longview Booming) and Mr. McKinster for their participation in bringing the proposal forward.

Mr. Stern noted that the aquatic land exchange program is relatively new and this is the third transaction brought to the Board. He thanked the Board for their support on the previous two (Port Angeles Exchange and the Suquamish Exchange). The Cowlitz River Exchange will restore state ownership, provide environmental protection to the existing river, address local citizen concerns, promote economic development, and provide certainty for all land owners in the area. In 2001, the Legislature authorized DNR to exchange the abandoned bedlands of the Cowlitz River for the existing bedlands and to resolve boundary disputes on the dike (RCW 79.08.260).

History Of The Proposed Exchange

In the 1920's the Long-Bell Lumber Company worked with the Army Corps of Engineers to dredge the bed of the Cowlitz River. At the time the company did not acquire title to the river's tidelands and bedlands from the State. Dredged material was deposited on an island owned by Long-Bell, forming the existing dike and redirecting the river's mouth. The property line between the Long-Bell ownership and state-owned aquatic lands is now indiscernible. The current location of the mouth was once owned by the Silver Lake Railway and Lumber Company and is now owned by the Wasser & Winters Company.

Aquatic Ownership Concepts

Ownership boundaries do not move with sudden shoreline changes such as avulsion, dredging or flood events; ownership boundaries move with gradual shoreline changes such as accretion or erosion; the proposed exchange will move the ownership boundaries back to the existing river channel.

Specifics Of Exchange (Three-Way Transaction)

The Longview Booming Company will deed portions of the original island that are currently bedlands and tidelands of the Cowlitz River to the State; the Wasser & Winters Company will deed a small portions of the finger dike to Longview Booming to clarify title and will deed to the State lands, which were formerly uplands and tidelands, but are currently occupied by the Cowlitz River channel; the State will deed portions of the finger dike that were formerly a part of the Cowlitz River and a portion of the area known as the outer log pond to Longview Booming Company.

Process

An environmental assessment was completed to ensure no contamination is on the site; a public meeting/hearing was held on August 26, 2003, in Longview and written comments could be submitted until September 3, 2003.

Public Comment Summary

Exchange will restore state ownership to the riverbed and is positive for the environment and the companies; exchange will resolve boundary disputes and will be beneficial to the State; Longview Booming Company supports the exchange.

Exchange Contribution to Public Benefits

Supports 2001 legislative findings of State's interest by resolving boundary disputes and maintaining State ownership to the existing bed of the Cowlitz River; abuts navigable waters; provides critical habitat, maintains diversity and health of the environment and protects renewable resources (6 fish listed under the Endangered Species Act, other aquatic species, and sediments); serves navigational interest of the State; maintains public use and access opportunities; improves ability to manage the state-owned aquatic lands by settling ownership boundaries and restoring State ownership to navigable river channel.

MOTION: Glen Huntingford moved to approve Resolution #1102.

SECOND: Bruce Bare seconded.

DISCUSSION: Glen Huntingford expressed his amazement for the amount of work the department is required to do on some of the long-term projects with a lot of loose ends. He did not want to criticize previous administrations, but did want to recognize that over the last three years he has seen many agricultural transactions come forward, as well as timber and aquatic efforts, and he wanted to recognize the efforts of the department to clean up the loose ends. He also noted that these efforts provide certainty to those who are tied to the department through these transactions and thanked the department.

ACTION: Motion passed unanimously.

TIMBER SALES

Contract Harvesting Resolution #1096 (Handout 7)

Howard Thronson - Division Manager Product Sales and Leasing, presented the Contract Harvesting Resolution (2nd Substitute Senate Bill 5074) noting the resolution was to establish guidance for the department to better implement its contract harvesting program in accordance with the legislation that was past last Session.

Mr. Thronson stated that the Legislature authorizes the Board of Natural Resources to adopt procedures by resolution to implement the Contract Harvesting Program. Procedures include appraisal of individual log sorts, selection of harvester, and appeal process for potential harvest contractors. Components of the Resolution are: re-appraisal and sale of un-sold sorts; evaluation and selection of contract harvesters; and appeals process for contract harvesters.

Mr. Thronson indicated that there were five major sections to the Resolution: Section 1 is a synopsis of the legislation; Section 2 would provide authority to the department to re-appraise and re-sell any unsold log sort. He also noted that the Resolution contains a threshold of 20% of the total sale volume; anything below that percentage, they are asking that the Board allow the department to re-appraise and re-offer, in an expeditions manner, those log sorts; Section 3 provides guidance for soliciting eligible bidders and the Legislature requires that the department establish a complete set of criteria and within it will be a statement of qualification, a scoring matrix, an evaluation team, and a process inclusive to cover competitive bidding; Section 4 provides guidance on an appeal process; Section 5 provides guidance to parties that are not awarded a contract.

MOTION: Glen Huntingford moved to approve Resolution #1096.

SECOND: Jim Cook seconded.

DISCUSSION: Bob Nichols asked if administrative costs were factored into this program?

Mr. Thronson said yes. When the legislation was prepared and brought to the Legislature, the Legislature specifically asked that question. There is a shift to where the administrative costs occur in this type of sale compared to other sales. In the few tests that have been conducted, we can receive between 15 and 20% more bid price on the logs delivered to the mill so there is more income and if costs are controlled, that margin can be maintained.

Bob Nichols asked if a sale would still be offered if they were unable to achieve the 15 to 20% markup?

Mr. Thronson said that might not be the sole criteria. The complexity of the sale is key and working in diverse habitats with a desired outcome is the primary reason this type of sale. Eliminating a middle bidder will increase the stumpage price for logs and the degree that will be achieved is market driven.

Bruce Bare noted that Sections 3, 4, and 5, deal with identification of contract harvesters, however Section 2 deals with re-appraisal i.e., Section 1 (with reference to Section 2) where it states "...Board of Natural Resources to determine whether any special appraisal practices are necessary for log sorts sold by the contract harvesting processes and consider and adopt procedures to rapidly market and sell any log sorts that failed to receive the required minimum bid at the original auction..." noting that there is no procedure indicated, only process. He then asked what the procedure is and if the Board is fulfilling the Legislative intent, i.e., what is the procedure the Board will vote on?

Jon Tweedale - Product Sales Manager, stated that they will follow the same procedure used when advertising a sale.

Bruce Bare said that should be stated. He suggested language be added to Section 2, within the sentence reading "The department therefore authorized to re-appraise and re-offer log sorts...", add "...using standard appraisal practices...".

Chair Sutherland suggested finishing the discussion, then after the break have Howard Thronson and Jon Tweedale bring forward the new language.

Mr. Thronson added that the procedure before the Board is a special procedure and authorizes the department to re-appraise without the need to bring before the Board. That is the procedure process.

Glen Huntingford asked if this is adopted, is the department ready to begin tomorrow?

Mr. Tweedale said they are ready. The contracts have been re-written and contractually they are prepared. The plan is to start offering sales in the first quarter of the next calendar year (around March or April). There are three sales chosen to date.

Marketing Update & Proposed Timber Sales for October 2003 (Handout 8)

Jon Tweedale - Product Sales Manager, gave a brief market update noting that housing starts were up in July and August but supply is being restricted by wildfires in BC. Southeastern US is seeing consumption as well as reduction from the storms. These dynamics are affecting the supply of panels in particular. It is a buyers market but that is expected to change quickly due to the volatility in the market and price increases are expected. He then discussed the marketing plan for FY '04 indicating 1st quarter sales with similar mix are essentially the same price as last year. The sale mix is changing starting with December sales. Peak demand coming in the 3rd quarter. Sales are on target to achieve goal of 560-580 mmbf offered.

Mr. Tweedale then gave an overview of the September 2003 sales results: 3 sales offered & 3 sold; 10 mmbf offered & 10 mmbf sold; \$2.6 million minimum bid & \$3.6 million sold; \$265/mbf offered & \$364/mbf sold; average number of bidders 5; 37% above minimum bid.

Proposed November 2003 board sales: 7 sales at 20.4 mmbf; \$4.2 million minimum bid; average \$205/mbf. All 7 sales are recommended.

Glen Huntingford asked why the FM Camp 11 sale had 155' buffers on Type 3 streams rather than the typical 150' buffer?

Mr. Tweedale said it is likely based on sight potential i.e., tree height on that stream.

Glen Huntingford wondered about vegetation management, noting that they would be going back to reassess in 3-5 years asking if that was customary or if it was new?

Mr. Tweedale said no, that the sale may have a lot of underbrush and they want to ensure that the reproduction comes through. If they go back to assess in 3 years and it is found that there is not a fully stocked stand then they may interplant. He said he would get an answer.

Glen Huntingford then noted that the Nestor sale has a free 2-acre piece that was to be clearcut but had been deferred to meet 50% target for habitat dispersal. He asked what the department's policy was and when they would be coming back to look at it again?

Mr. Tweedale said they would look at the purpose of the sale and how long a green-up would take on the particular sale. He said he would get specifics from the region and provide them to the Board.

Bruce Bare brought up a SEPA letter received for the Moon Shine sale asking what the department's response was?

Vicki Christiansen - Central Region Manager (from the Audience) came forward and stated that all calculations of the mature forest components were reviewed and they were correct and that was the response provided.

MOTION: Glen Huntingford moved to approve the November 2003 timber sales.

SECOND: Bruce Bare seconded

ACTION: Motion passed unanimously.

Break 10:50

Reconvened 11:05

Contract Harvesting Resolution #1096 Continued (Handout 7)

Howard Thronson - Division Manager of Product Sales & Leasing, brought forward the amendatory language: Section 2, third line, second sentence to read "The department is therefore authorized to reappraise, using standard appraisal practices, and re-offer log sorts that..."

MOTION: Chair Sutherland moved to approve the amendatory language in Resolution #1096.

SECOND: Glen Huntingford seconded.

ACTION: Motion passed unanimously.

MOTION: Chair Sutherland moved to approve Resolution #1096 as amended.

ACTION: Motion passed unanimously.

CHAIR REPORTS

Portfolio Management & Performance (Handout 9)

Kit Metlen - Division Manager, Asset Management & Protection Division, began with the purpose of the presentation: show guidance that the department uses; give synopsis of last biennium's transactions; performance improvements in asset value and lease returns.

Trust Asset Management

The department is first and foremost a trust asset manager of real property assets.

We are in assets that are land based.

Core upland trust asset classes/businesses: commercial forestry, commercial agriculture, commercial real estate properties, and transition land as defined in 1988 Transition Lands Policy Plan.

Land management is a tool.

Guidance

Policy (2 primary types of Asset Management Plans): Asset Stewardship Plan (Jan. 1988); Transition Lands Plan (June 1988).

Land Management Plans: Forest Resources Plan (July 1992); Agriculture & Grazing Lands Plan (Dec. 1988); Aquatic Lands Strategy Plan (Dec. 1992); Strategic Plan for Forestry Resource Management (Jan. 1988).

Strategies: Asset Management Council - asset allocation strategy for upland trust lands.

Inventories: individual region asset inventory & assessments.

Criteria: DNR asset acquisition and disposal criteria.

He then gave an overview of acquisition by asset class charts (1993-2003) (Slide 6) followed by number of properties purchased by asset class (1993-2003) (Slide 7).

Slide 8 showed 2001-2003 exchanges (net change in PNV \$9,313,000).

Slide 9 showed 2001-2003 transactions (annual lease revenue increased by \$1,047,500 from lands acquired versus lands disposed, i.e., all of the lands that the department disposed of through sale or transfer (with lease in place) were earning \$90,000 through leases; the properties acquired now earn \$1,137,000.

Coming Features

Starting in February we will discuss biennial authority, asset strategies, and periodic performance reports on asset value & returns.

Chair Sutherland noted that in the first part of his administration it was clear that transactions were quite complex. He also said there is an inventory of lands that do not generate significant revenue (some have no performance and some have very poor performance on returns to the trusts). Determinations are being made to break away from poor performing properties and still meet the fiduciary needs of the department and the Board. He stated that this is a priority and over the next several years the number of transactions and the performance from those transactions will be significant. He gave the example of DNR managed lands in the Interstate 5 corridor that are parcels of 40 acres and smaller with little or no income.

Sustainable Harvest Calculation (Handouts 10 & 11)

John Baarspul - State Lands Division Manager, introduced Jean Daniels - Research Forester, US Department of Agriculture. He indicated that she is working on her PHD at the University of Washington in forest economics and will be presenting her report titled "Assessing Socioeconomic Resiliency in Forest Dependent Washington Counties" (Handout 10).

Ms. Daniels stated that the motivation behind the study was to assess socioeconomic resiliency in forest dependent Washington counties. It was intended to help develop better models and better methods for developing the relationship between community health, community well being, and forest management. Traditionally these issues have been assessed using a timber sector of employment but there is a lot more to the relationship between communities and forests than timber sector jobs. The attempt is to incorporate the emergence of services and redefine the relationship between people and forests.

The objective of the study was to assess socioeconomic resiliency in each Washington county and the forest dependence, and using those two measures to identify counties of concern. Ms. Daniels indicated that she did a repeat of the same process using just Westside DNR forestlands. The goal was to identify counties that may be disproportionately affected by changing forest management policies. She then began her overview of the report.

Indicators: education; income; race; ethnicity; degree of urbanization; and mobility.

Economic resiliency: degree of industrial specialization in each county.

Population density: persons per square mile in each county.

Socioeconomic resiliency rating: composite measure combining lifestyle diversity, economic resiliency and population diversity; high, medium, and low socioeconomic resiliency ratings assigned to after sorting counties rating to lowest.

Counties where "low" socioeconomic resiliency is combined with "high" forest dependence: Ferry, Pacific, Skamania, Stevens, Pend Oreille, and Wahkiakum. She noted that these counties may experience disproportionate negative impacts from forest management policy changes.

Assessment of socioeconomic resiliency and DNR forest dependence in Westside counties: revised statewide socioeconomic resiliency ratings; assess dependency on state forestlands; combine to identify DNR counties of concern. Revised counties of concern: Pacific and Wahkiakum.

Ms. Daniels noted that it is important to realize that this study was performed at the county level not the community level so there might be places experiencing problems.

Chair Sutherland thanked Ms. Daniels for her hard work and presenting it to the Board.

Bob Nichols said he welcomes more discussions on social indicators due to how they factor into the sustainable harvest calculations.

Bruce Mackey - Lands Steward, presented materials on the un-zoned forest approach (Handout 11). He started with the Olympic Experimental State Forest consisting of 250,000 acres. The concept behind the un-zoned approach is that there are no special zones or set-asides exclusively for either conservations or commodity production, i.e., they can move over time as habitat is created and change where they exist. Then you need to set a specific set of forest level objectives and strategies that lead to desired outcomes and then forest activities to meet those outcomes are designed. He indicated that an un-zoned approach has more to do with the intensity of the management balance rather than in one specific location.

He then discussed the OESF. It is to be an un-zoned approach but there are eleven landscapes identified in the habitat conservation plan and each landscape has some desired thresholds for habitat over time; one is at least 20% of the lands are in under-story retention to old-growth states, and at least 40% of the lands are to be in competitive exclusion to old-growth stages. Each one of the eleven areas is to be designated that way. There are riparian strategies that are to be consistent with our conservation strategies to maintain and restore the composition, structure, and function; the physical integrity of the streams; and sediment regime.

The Experimental State Forest was set up to look at these issues and also to develop, use, and distribute information from these activities. He stated that Angus Brodie's team began to look at, and make a comparison from, special forests and their status (Slide 4 - current operations, landscape biodiversity pathways, and HCP Unit biodiversity pathways). The summary showed that production jumped dramatically but left the question, "did we meet the environmental goals that were set." He presented another graph (Slide 5 - current operations, landscape biodiversity pathways, and HCP Unit biodiversity pathways) that showed development of potential older forest in three scenarios for the OESF. (Slide 6 - modeling outputs for current operations, landscape biodiversity pathways, and HCP Unit biodiversity pathways).

Mr. Mackey then presented a comparison of Alternative 1 (current operations) and Alternative 6 (innovative silviculture management) and the un-zoned forest approach (uses the silviculture of Alternative 6 - biodiversity pathways across the landscape; sets targets for potential older forests at the HCP unit level). He then showed a graph (Slide 8) indicating forest stand development under zoned vs. un-zoned approaches and the gross revenue and volume outputs (Slide 9).

He concluded stating that goals need to be specific; concepts of un-zoned forest management allow for innovation and flexibility in choice of silviculture strategies to meet goals; strategies development needs to be hierarchical; today, we lack the information to develop these specific goals and to develop efficiently linked strategies to achieve our HCP goals; the HCP purpose and design for the Olympic Experimental State Forest is to innovate, test, and evaluate these un-zoned approaches to forest management.

Chair Sutherland thanked Mr. Mackey for the presentation.

Chair Sutherland then introduced Bonnie Bunning - Executive Director of Policy & Administration, stating that she would be making a brief presentation on legislative authority.

Ms. Bunning stated that the department went through a recodification process that was basically a rearrangement of issues placing them where they would be easier to find, as well as some minor language changes. The next step is not of major substance but critical; a re-clarification of definitions used in Title 79 specifically as it relates to the terms public lands and state lands. Between aquatic lands, state trust uplands, and the numerous other lands the department manages, the definitions are not always clear. When they were written in 1927, new categories that the department would eventually manage were not anticipated. This next step will seek to clarify and differentiate state lands from public lands.

Chair Sutherland then informed the Board of a significant change in the organization that will be taking place, noting the current financial and fiscal circumstances of the department. He indicated that his staff has addressed the shortfalls in a variety of ways including improvements in efficiencies and effectiveness, how to market products, ability to utilize current and future technologies, etc. Another possibility was to try to consolidate and reduce middle and upper management, which led to the merger of the Central and Southwest Regions. It has been examined for the last eight months and it was determined that it could

save approximately \$1 million a year. In the first screening it showed there were no significant flaws to the merger and it was decided to proceed with the merger. Vicki Christiansen - Central Region Manager, has been appointed as the manager of the newly merged region. The merger is expected to be completed by June 30, 2004, and will be monitored each step of the way.

Chair Sutherland then presented John Viada - Northeast Region Manager, his 30-year service award for extraordinary service to the department for the last 30 years.

PUBLIC COMMENTS FOR GENERAL ITEMS OF INTEREST

William Vogel Representing US Fish & Wildlife Service (Handout 12)

Mr. Vogel thanked the department for inviting him to participate in their implementation-monitoring program. He stated that his main responsibility with the F&W Service is compliance monitoring of Habitat Conservation Plans (HCP) including DNR's HCP. He indicated that there is considerable overlap between his job and those of DNR's team. By going afield together, the two teams learn from each other and confirm individual observations. It also provides a chance to talk about larger factors in conducting a monitoring program. He stated that DNR's implementation-monitoring team is comprised of hard working, knowledgeable staff and commended DNR for assembling the team. He said the team has been working diligently and the information received will be invaluable as the HCP is implemented.

Mr. Vogel noted that he visited 4 regions this year and 2 last year and stated that input from DNR's regional staff during his visits was invaluable and he encouraged their continued involvement in future monitoring efforts.

Marcy Golde - Board Member for Washington Environmental Council (WEC)

Ms. Golde thanked DNR staff for meeting with her regarding the SHC. She noted one issue that came up during that meeting regarding natural area preserves (NAP's) and natural resource conservation areas (NRCA's), which have been included within the sustainable harvest calculation. She stated that those lands are no longer part of the trust forestlands; they were purchased from the trusts with public and privately donated funds. The formal scope in the SHC states, "this proposal will result in the recalculation of a sustainable harvest level for trust forest lands managed by the Department of Natural Resources located in western Washington." She stated that the studies will probably overstate the off-based lands (the amount of protected habitat) and it will probably overstate the older forest habitat and the total acreage under analysis. She again said that these lands do not belong in the sustainable harvest calculation.

Bruce Mackey - Lands Steward, came forward to address Ms. Golde's concern stating that the department and the Board made the decision that this was a sustainable forestry model not a sustainable harvest cut model. There are two parts to the issue, 1) the department is required to do a sustainable harvest cut for the trust lands and 2) the HCP clearly states that we are to use NAP and NRCA areas within our habitat conservation and those areas serve an important ecological function and are part of the HCP and the model is bigger than just trust lands. There is a part that deals solely with trust lands and a part that deals with creating and maintaining the type of habitat and the desired environmental protection. He is opposed to taking the NAP and NRCA lands out because they fit significantly on the conservation side of the equation.

Dick Whitmore - Resource Manager & Forester & Resident of Whatcom County

Provided his views on the EIS. He stated that the timber industry has been cut out of the process while attempting to voice their opinions. He quoted the law, "major forest landowners in the watershed would be consulted." He indicated that he has talked to the three major landowners and none have been

“consulted.” There was one meeting as an industry with DNR over a year ago, which was implemented by his group, and they were told that DNR would remain in contact with them to obtain information, but that did not happen. They felt the only recourse was to come to let the Board know about it and make their opinions known.

He said they are upset about the range of alternatives noting that he has read many environmental impact statements over his 33-year career, and he considers this one of the most poorly written he has ever read. He stated that there is no range of alternatives and there is no science going further than forest practice rules and DNR’s HCP. He also brought up social and economic impacts and the only economic discussion he saw was loss of trust revenue; nothing about loss to the timber industry or to the community. He also mentioned that three members of the committee abstained from voting, and when asked why, they declined to answer.

Bob Dick - Manager of American Forest Resource Council

Provided comment about Whatcom Lake noting that in 1983 a rain-on-snow event, and through that event grew the Timber, Fish, Wildlife, Orphan Roads Program that began a Legislatively mandated process to go back a fix some of the problems that caused the slides that affected Whatcom Lake (primarily logging roads from the 40’s and 50’s). In 1999 legislation passed with an unexpected ending of not being the study that was anticipated but had very specific direction to the department. After that, through no fault of DNR’s leadership or staff, the forestry industry was barred from the committee that Mr. Whitmore just spoke of. Since 1998 & 99 there has been a substantial body of science developed and the water quality issue has been identified as not being forestry, in fact forestry has been identified as the solution not the problem. The DFW Orphan Roads Project has dealt with the old roads that were causing problems in the beginning and Forest & Fish and HCP standards that are much more strict than what DFW contemplated.

Mr. Dick then offered an example of political science - information was put out to get people to attend a public meeting, which indicated that DNR would clearcut the entire 15,000 acres in the study area, which was false information. He also stated that Mr. Whitmore attended one of the public meetings and was asked to leave when his opinions differed from others in attendance. He indicated the atmosphere is making it difficult for DNR to develop a plan.

He concluded by stating that given the new information and the misuse of the legislation, that it is reasonable for DNR and the Board to ask the Legislature to review the original legislation to see if there is a better way to do business.

Rod Fleck - Attorney for City of Forks

Mr. Fleck expressed his appreciation for Ms. Daniels’ presentation of her socioeconomic resiliency study. He indicated that it provides important insight to the level of interaction of the community with natural resources and natural resources extraction, but he wanted to highlight the author’s caution on Page 53 of her report. The issues of countywide data analysis have plagued a large amount of community impact analysis being done on the timber wars over the last 10-15 years. He thought that was glossed over in Ms. Daniels’ report. He suggested considering the WSU Rural Sociology Report (WEC has been working with Annabelle Kirschner). He also appreciated the OESF data provided earlier, but indicated he would like to see more detail and would be requesting that information from Angus Brodie.

Chair Sutherland reminded the Board that the November 4, Board meeting had been rescheduled for November 10. He then asked if there was anyone else present wishing to make comment before the Board? Seeing none, hearing none.

Meeting adjourned at 12:25 p.m.

Approved this ____ day of _____, 2003

Doug Sutherland, Commissioner of Public Lands

Bob Nichols for Governor Gary Locke

Bruce Bare, Dean, University of Washington

R. James Cook, Dean, Washington State University (Interim)

Terry Bergeson, Superintendent of Public Instruction

Glen Huntingford, Commissioner, Jefferson County

Attest:

Maureen Malahovsky, Board Coordinator